



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of the Change in
Control and Merger of

No. G-03-105

Aetna Health, Inc.

A registered
Health Maintenance Organization
With and Into

Aetna Health of Washington, Inc.

A registered
Health Care Service Contractor

ORDER GRANTING EXEMPTION
TO RCW 48.31C.030, APPROVING
MERGER AND APPROVING NAME
CHANGE

TO: Thomas C. Strohmenger
Head of Compliance
Law and Regulatory Affairs, RC4A
Aetna
151 Farmington Avenue
Hartford, CT 06156

NATURE OF PROCEEDING

On October 20, 2003 Aetna Health, Inc., filed a request for an order granting an exemption from RCW 48.31C.030 with the Insurance Commissioner of the State of Washington for a proposed merger into and with Aetna Health of Washington, Inc. In addition on November 24, 2003, Aetna Health, Inc., filed a Form D dated November 21, 2003 requesting that the Commissioner approve the merger of Aetna Health, Inc., with and into Aetna Health of Washington, Inc. Upon completion of the merger Aetna Health of Washington, Inc., is to be the surviving corporation and seeks approval of the Commissioner to then change its name to Aetna Health, Inc.

Aetna, Inc., is the ultimate parent of both Aetna Health, Inc., a Washington domestic health maintenance organization and Aetna Health of Washington, Inc., a Washington domestic health care service contractor.

RCW 48.31C.030 requires that any person acquiring control of a Washington domestic health carrier obtain the prior approval of the Insurance Commissioner. RCW 48.31C.030(6) provides that the Commissioner may, by order, grant an exemption from the requirements of RCW 48.31B.030 if the acquisition is: (a) not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic health carrier, or (b) otherwise not comprehended within the purposes of RCW 48.31B.030.

RCW 48.31C.050 requires that health carriers provide notice to the Commissioner of certain inter-company transactions and obtain his permission to effect the transaction.

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FINDINGS OF FACT

Having read the documentary evidence on file the Insurance Commissioner finds as follows:

- (1) Aetna Health, Inc., is a wholly owned subsidiary of Aetna Health Holding, LLC, which in turn is a wholly owned subsidiary of Aetna, Inc.
- (2) Aetna Health of Washington, Inc., is a wholly owned subsidiary of NYLCare Health Plans, Inc., which is a wholly owned subsidiary of Aetna Health Holding, LLC, which in turn is a wholly owned subsidiary of Aetna, Inc.
- (3) Aetna, Inc. is conducting some reorganization and consolidation of its subsidiary companies to simplify its corporate holding company structure. Upon the completion of this reorganization and merger of Aetna Health, Inc., into and with Aetna Health of Washington, Inc., Aetna Health of Washington, Inc., will continue to be a wholly owned subsidiary of NYLCare Health Plans, Inc., which is a wholly owned subsidiary of Aetna Health Holding, LLC, which in turn is a wholly owned subsidiary of Aetna, Inc.
- (4) Upon completion of the merger, Aetna Health of Washington, Inc., proposes to change its name to Aetna Health, Inc.
- (5) Upon completion of the transactions, Aetna, Inc. will still be the ultimate controlling person of Aetna Health, Inc.

CONCLUSIONS OF LAW

- (1) Pursuant to RCW 48.31C.030(6) the Insurance Commissioner may grant an exemption from the requirements of RCW 48.31C.030 if the transaction is: (a) not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic health carrier, or (b) otherwise not comprehended within the purposes of RCW 48.31C.030.
- (2) Aetna, Inc., is currently the ultimate controlling person of Aetna Health, Inc., and after the conclusion of the proposed merger, Aetna, Inc. will continue to be the ultimate controlling person of Aetna Health, Inc.
- (3) The proposed merger is not being made nor entered into for the purpose and does not have the effect of changing or influencing the control of Aetna Health, Inc.
- (4) RCW 48.31C.050(1) provides that transactions within a health carrier holding company system are subject to the following standards: (a) the terms must be fair and reasonable, (b) charges or fees for services performed must be fair and reasonable, (c) expenses incurred and payment received must be allocated to the health carrier in conformity with customary statutory accounting practices consistently applied, (d) the books, accounts, and records of each party to all such transactions must be maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties, and (e) the health carrier's net worth after the transaction must exceed the health carrier's company action level risk-based capital.

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- (5) The proposed merger satisfies the requirements of RCW 48.31C.050(1).
- (6) RCW 48.44.090 provides that the Commissioner shall refuse to accept the registration of any corporation, cooperative group, or association seeking to act as a health care service contractor if, in his discretion, the Commissioner deems that the name of the corporation, cooperative group, or association would be confused with the name of an existing health care service contractor or authorized insurance company.
- (7) Upon completion of the merger the change of the name of Aetna Health of Washington, Inc., to Aetna Health, Inc., will not be confused with the name of an existing health care service contractor or authorized insurance company.

ORDER

Consistent with the foregoing Findings of Fact and Conclusions of Law, it is hereby ORDERED:

The proposed merger as set forth in the filings received by the Commissioner on October 20, 2003 and November 24, 2003 in which Aetna Health, Inc., is merging into and with Aetna Health of Washington, Inc., is exempt from the requirements of RCW 48.31C.030 and is hereby approved.

Upon completion of the merger of Aetna Health, Inc., into and with Aetna Health of Washington, Inc., the change of the name of Aetna Health of Washington, Inc., to Aetna Health, Inc., is approved.

ENTERED AT OLYMPIA, WASHINGTON, this 10th day of December, 2003.

MIKE KREIDLER
Insurance Commissioner

By: 

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division